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February 11, 2005

BY OVERNIGHT DELIVERY AND E-FILE

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 02-75-A

Dear Ms. Cottrell:

In compliance with the order of the Department of Telecommunications and Energy ("Department") in D.T.E. 02-75-A, Bay State Gas Company ("Bay State") has notified and reminded all of its grandfathered customers that unauthorized overtakes are subject to penalties pursuant to the Company's Terms and Conditions. Also pursuant to the Department's order, the Company informed these customers that unauthorized overtakes of gas may threaten the integrity of Bay State's distribution system, and could result in disconnects from the system.

The notification was undertaken by Bay State by issuing a letter to each grandfathered customer and to each supplier, in the form attached hereto. This letter certifies Bay State's compliance with the Department's order.

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Jody Stiefel, Esq., Hearing Officer
George Yiankos, Director, Gas Division, DTE
Andreas Thanos, Assistant Director, Gas Division, DTE
Service List



January 31, 2005

«ORG_NAME_____»
«FIRST_NAME_____» «LAST_NAME_____»
«MAIL_ADDR_____»
«MAIL_CITY_____», «ST2» «ZIP_____»

Re: Customer account «CUST_ACCT»serving «SERV_ADDR_____»,
«SERV_CITY_____», «ST1»

Dear Customer:

On October 22, 2004, the Department of Telecommunications and Energy ("Department") issued its order clarifying certain issues related to Bay State Gas Company's ("Bay State's") continuing provision of service to its firm transportation customers who have not been assigned the Company's capacity associated with meeting the respective customers' daily requirements ("grandfathered"). Bay State Gas Company, D.T.E. 02-75-A (Oct. 22, 2004). The Department directed the Company in that order to notify you, as a grandfathered customer under the above-referenced account, of certain conditions under which Bay State should continue to provide service to grandfathered customers. Since this letter is likely being addressed to the billing contact of your company, I suggest that it be forwarded to the energy decision maker at your company, as well to your company's natural gas supplier.

In that October 22, 2004 order, the Department identified that it was necessary for the Department to establish a plan for Bay State to address the operational risks posed by the unauthorized taking of natural gas by Bay State's grandfathered firm transportation customers. Such unauthorized use of gas by a grandfathered customer essentially demonstrates a failure to have sufficient gas supply for that customer's use on certain days of the year, and imposes a risk that such gas use will cause Bay State's capacity reserved for its firm bundled sales and non-grandfathered customers to be insufficient. The Department required Bay State to notify and remind all of its grandfathered customers that unauthorized overtakes are subject to penalties pursuant to the Company's Terms and Conditions. The Department also directed the Company to notify you that such overtakes may threaten the integrity of Bay State's distribution system, and therefore could result in disconnects from the system.

Accordingly, please be advised and reminded that, as a grandfathered firm transportation customer of Bay State, you, or your supplier on behalf of you, must have sufficient natural gas to meet your daily requirements, and pursuant to state tariff provision, Bay State may assess penalties on any unauthorized use in the amount of five (5) times the daily index price of natural gas on the day of the overtake.

Please be aware that each time you take more natural gas from Bay State's distribution system than that which is being provided by your supplier, such overtake may threaten the integrity of Bay State's distribution system and jeopardize Bay State's ability to serve its bundled firm residential and commercial customers with natural gas service for heating and other needs. Accordingly, Bay State has an obligation to its other firm customers and the right, and specifically reserves the right, to shut off your meter and disconnect your service from its distribution system in the event of an overtake on any day of the year, especially during peak demand periods, or for any other reason it determines the operation of its distribution system may be jeopardized.

Please be further advised that, in order to alleviate the risk of system disruption as a result of the actions (i.e. the unauthorized use of natural gas) by Bay State's grandfathered customers, the Department has directed Bay State to implement a system under which Bay State will have the ability to monitor your gas usage on a daily basis to mitigate this potential risk of system disruption and submit a report to the Department, explaining how this system will work. We welcome input from you and your supplier on how best to accomplish this goal.

This notice is provided pursuant to the requirements of the Department's order in D.T.E. 02-75.

Since your marketer is aware that they need to supply your full gas requirements and should understand the potential ramifications of inadequate deliverability to the Company's system, a copy of this letter has been provided to them for reference. Please direct any questions about your current supply of natural gas to your marketer.

Please do not hesitate to call 1-877-777-3753 with any questions you may have about this letter or the Department order in D.T.E. 02-75.

Very truly yours,
Bay State Gas